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SUBJECT: TAJIKISTAN - BOEINGS ALL OVER, COMPLICATION SOARS

¶1. (U) This message is sensitive but unclassified. Please protect accordingly.

¶2. (SBU) Summary: Boeing seems set to significantly expand its presence in Tajikistan over the next few months. But we expect turbulence on the route to improved airline services here, as the two airlines in question face a lack of infrastructure to handle the new planes and financing problems. Political interference is constant. End Summary.

ILFC COMES TO TOWN, FINDS TAJIK AIR AN ODD CUSTOMER

¶3. (SBU) State-owned Tajik Air is hurrying to acquire more and larger Boeing aircraft. Representatives of the International Lease Finance Corporation (ILFC) of Los Angeles arrived in Dushanbe on September 9 to discuss and possibly finalize an agreement with Tajik Air to lease-to-buy a used Boeing 757. The ILFC representatives told Emboff that their interactions with Tajik Air so far had led them to view Tajik Air as very inexperienced in dealing with leasing companies and the non-CIS aviation industry in general, and possibly unreliable. They noted mirthfully that Tajik Air had tried to meet its obligation to deposit \$1 million with ILFC for the 757 by using a letter of credit, and had complained that it did not know who ILFC was and that ILFC didn't use an official stamp on its documents.

¶4. (SBU) ILFC had also heard that Tajik Air's relationship with VIM Avia of Russia, from which it was currently wet leasing two 757s, had soured over allegations of unpaid bills for training and services to VIM Avia [Note: There are also rumors that Tajik Air owes several million dollars to various parties for fuel]. ILFC representatives speculated that Tajik Air was in a hurry to conclude its deal with ILFC before Tajik Air is broken up and privatized in three separate companies - air transport, ground services, and navigation services, due to take effect January 1, 2009. They expressed unease that Tajik Air officials believed the agreement to lease the 757 could be wrapped up during ILFC's two day visit to Dushanbe, especially considering that Tajik Air had not yet bothered to translate the associated 20-page contract into Russian or Tajik. Emboff noted that Tajik Air's breakup has been scheduled and rescheduled for several years, and is not sure to happen this time around. Questions of which division of the company would assume which debts had so far blocked the breakup.

¶5. (SBU) ILFC said their main concern was that Tajik Air might, due to its complicated financial situation and sense of invulnerability in Tajikistan's very weak rule-of-law environment, someday stop making payments to ILFC for the 757, at which point ILFC was unsure it would be able to repossess the aircraft. They wanted to enlist the Embassy's support up front for what they expected to be a difficult relationship. They could not say when the 757 might actually enter service in Tajik Air.

MORE PRESIDENTIAL PRESTIGE SPENDING

¶6. (SBU) ILFC representatives had heard from Boeing that Tajik Air was in discussions with Boeing about the purchase of a new Boeing Business Jet 737 to serve as an executive transport for President Rahmon.

SOMON AIR PUSHED TOO FAST

¶7. (SBU) Emboff also met recently with the Director General Rustam Khalikov of Somon Air, "Tajikistan's First Private Airline." Khalikov said Somon was moving forward with plans to buy two new 737-800s, and to lease two more 737-800s. The only problem was that Q737-800s, and to lease two more 737-800s. The only problem was that Somon was moving too fast for his comfort, planning to acquire two of the airplanes before the end of 2008, and the other two in early ¶2009. He said that Somon's shareholders were forcing the rapid pace of acquisition for reasons not based on business needs, and that he lacked ground support, trained crews, and even ticketing arrangements for the new airplanes. The new 737s also did not come with comprehensive maintenance training packages, a step taken to lower their price, which he thought was foolish and ultimately would be more expensive. Because of this complex of problems, at the same time that new airplanes would arrive, he was being forced to go to Pegasus Airlines of Turkey to renew Somon's wet lease of a 737, at a price he considered extortionate. He would not say who Somon Air's shareholders were.

MINISTER OF TRANSPORT - STATE DIRECTED AIR ROUTES, PLEASE

¶8. (SBU) In late August Emboffs met with Minister of Transport Ashur to discuss the prospects for improved regional aviation services. He stressed the importance of developing aviation links with Uzbekistan, cut off for several years from Tajikistan because of bad blood between the two countries' presidents. He also complained

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about "imbalances" in airline service in the region, saying that airlines wrongly served only their own commercial interests, when they should be flying unprofitable routes too to provide air service to smaller communities. He said that the important decisions in regional airline service were political in nature, and "we should not leave everything to the airlines to decide."

¶9. (SBU) Comment: The acquisition of new Boeings is good news, but the ability of the airlines to operate them reliably is still in doubt. The comments by the Minister of Transport are illustrative of the inclination of senior government officials to interfere in business decisions. Somon Air's problems are likely also of official origin; the airline's unnamed shareholders probably include the President's family, and the high-level impulse to simply decree the existence of a private airline is resulting in new planes without trained crews or support infrastructure. End Comment.

QUAST